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SECURITIES AND EXCHANGE COMMISSION P.E. 12/31/92

Washington, D.C. 20549

R92-2238

AMENDMENT TO APPLICATION OR REPORT

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The Securities Exchange Act of 1934

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SUMMIT ENVIRONMENTAL GRO
(Exact name of registrant as specified in its charter)

AMENDMENT NO. 1

The undersigned registrant hereby amends the following items, exhibits, financial statements, or other portions of its Quarterly Report dated February 12, 1992 on Form 10-Q as set forth on the pages attached hereto:

PART I - FINANCIAL INFORMATION

Item 2 - Management's Discussion and Analysis of Financial Condition and Results of Operations

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this amendment to be signed on its behalf by the undersigned, thereunto duly authorized.

SUMMIT ENVIRONMENTAL GROUP, INC.

By: Lynne M. Rogers

Lynne M. Rogers
Senior Vice President, Treasurer, and Chief Financial Officer

Date: February 24, 1992

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ITEM 2 MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Results of Operations

Net service revenues of $13,782,000 and $26,215,000 for the three and six-month periods ended December 31, 1991 represent increases of 16.0% and 13.2%, respectively, over the comparable periods from the prior year. Approximately one-half of the increased revenues over 1990 was generated by internal growth, with the other half being attributable to the acquisition of two branch offices. The internal growth was realized primarily through volume increases.

Operating margins are very comparable for all periods presented. While the operating margin of 10.3% for the six-month period ended December 31, 1991 is lower than the 11.1% margin for the same period in 1990, the 11.3% operating margin for the three-month period ended December 31, 1991 exceeds that of 11.0% realized in 1990. With regard to the comparable three-month periods, utilization was consistent at over 61%. The Company has experienced a slight decrease in the billing factor realized on direct labor in 1991 due to market conditions. The operating margin for the six months ended December 31, 1991 was higher than the same period in 1990 as a result of utilization increasing over 2% in 1991 to slightly over 62%. This increase in billable hours in 1991 has been partially offset by the lower billing factors previously discussed. The relationship of both direct labor and general and administrative expenses to net service revenues has remained relatively constant during all periods presented, ranging between 84.1% and 85.3%.

Interest cost as a percentage of net service revenues was slightly over 6% for each period in 1991 as compared to 5.9% during 1990. This increase is partly a result of additional borrowings incurred in conjunction with branch acquisitions, and in part due to the write-off of unamortized loan fees in connection with the refinancing of the revolving credit agreement at one of the Company's subsidiaries. These increased financing costs contributed to pre-tax income as a percentage of net service revenues for the three months ended December 31, 1991 of 4.2% to be lower than the 5.0% return in 1990. For the six months ended December 31, 1991, the stronger operating margins overcame higher financing costs as the pre-tax margin of 5.2% exceeded the 4.6% realized for the same period in 1990. Net income was $398,000 for the three months ended December 31, 1991 as compared to $288,000 in 1990. For the six-month periods, net income was $600,000 in 1991 and $631,000 in 1990.

The negative cash flow from operating activities experienced during the six-month period resulted from a combination of short-term working capital movements, the most significant of which include reductions in accounts payable and other accrued expenses.

Changes in Financial Condition

Working capital was $12,916,000 at December 31, 1991, an increase of $3,114,000 since June 30, 1991. This increase is primarily due to decreases in accounts payable and accrued expenses. This working capital increase was funded largely by increases in the Company's revolving credit facilities.

Borrowings under the Company's revolving credit facilities have increased by $4.1 million since June 30, 1991. Aside from funding increased working capital, $1.1 million of borrowings were required for purchase of equipment and $1.9 million was used to acquire a branch operation in November, 1991. Additional available borrowings under revolving credit facilities at December 31, 1991 totalled

approximately $5.0 million. Cash provided by operating activities and the funds available under these revolving credit facilities is expected to be sufficient to fund working capital needs, debt service requirements, and capital expenditure programs during the next twelve months, as well as provide for acquisition funding.

In conjunction with the acquisition of the branch office in November, 1991, the Company issued $800,000 in unsecured notes to the former shareholders and also issued 266,666 shares of common stock. Other than this and the increased borrowings under the revolving credit agreements previously discussed, there have been no significant changes to any other long-term obligations or capital accounts since June 30, 1991.